

SCHOOL AID/K-12

PUBLIC ACT 142 OF 1997

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	FY 1997-98 YEAR-TO-DATE APPROPRIATIONS	FY 1998-99 ENACTED RECOMMENDATION	EXECUTIVE CHANGE FROM PRIOR YEAR	
			AMOUNT	PERCENT
FTE POSITIONS	0.0	0.0	\$0.00	0.0
GROSS	\$9,403,340,400	\$9,650,511,900	\$247,171,500	2.6
IDG/IDT	0	0	0	0.0
ADJUSTED GROSS	\$9,403,340,400	\$9,650,511,900	\$247,171,500	2.6
FEDERAL	95,933,400	120,000,000	24,066,600	25.1
LOCAL	0	0	0	0.0
PRIVATE	0	0	0	0.0
OTHER	8,929,471,600	9,109,898,400	180,426,800	2.0
GF/GP	\$377,935,400	\$420,613,500	\$42,678,100	11.3

SB 178

Referred to
Appropriations
02/12/97

Passed Senate
07/10/97

Passed House
09/25/97

Conference
Approved by Senate
11/13/97

Conference
Approved by House
11/13/97

Effective
11/19/97

OVERVIEW - SCHOOL AID/K-12

In November 1997, The Legislature enacted and the Governor signed P.A. 142 of 1997 which appropriated funding for K-12 education for both FY 1997-98 and FY 1998-99. The adjusted gross appropriation for FY 1998-99 is \$9.7 billion – a \$247.2 million or 2.6% increase over the current year-to-date amount. Of the enacted total, the GF/GP appropriation is \$420.6 million – an increase of \$42.7 million over the current year.

P.A. 142 of 1997 maintains the FY 1998-99 basic foundation allowance at the current-year level of \$5,462 per pupil. Districts below \$5,170 per pupil in FY 1997-98 receive an increase to the \$5,170 level for FY 1998-99. The budget also included an additional \$68.7 million to cover increased pupil memberships and taxable value changes. Changes to the Michigan Public School Employees Retirement System allowed districts to save \$259.0 million in previously-expected FY 1998-99 obligations.

Negotiations between the Legislature and the Executive branch resulted in allocating \$73.7 million in FY 1998-99 as the first of a series of payments to districts and intermediate districts for settlement of potential claims against the state in what is commonly known as the *Durant v. State of Michigan* lawsuit.

Among the new initiatives for FY 1998-99 in P.A. 142 of 1997 are a small class program (\$20.0 million) to reduce class size in at least 12 districts throughout the state; and a career preparation program (\$23.9 million) that aims to integrate academic and technical curricula.

Funding for the At-Risk program increased by \$10.0 million, to \$260.0 million. Allocations for this program are determined by the number of students eligible for the national “free-lunch” program multiplied by 11.5% of the district’s foundation allowance. However, an eligible district’s combined state and local revenue per pupil must be lower than \$6,962. Funding for adult education remained at \$80.0 million for FY 1998-99.

As part of the pension reform, the contribution rate for local districts and intermediate districts to the Public Schools Retirement System for FY 1998-99 was estimated to be the same as the current year, which is 11.12% of payroll.

MAJOR BUDGET CHANGES: FY 1998-99

<u>Budget Issue</u>		<u>Change from FY 1997-98</u>
1. Foundation Allowance	FTEs	0.0
The Section 20 allocation is increased by \$68.7 million (Gross) to cover the November 1997 estimated pupil growth in memberships and the changes in taxable value. The May 1998 Revenue Conference agreement lowered the pupil growth for FY 1998-99 due to audited pupil data now available and increased the taxable value estimate. These changes result in an estimated School Aid Fund savings of \$128 million for FY 1998-99.	Gross	\$68,700,000
	GF/GP	\$0

MAJOR BUDGET CHANGES: FY 1998-99

<u>Budget Issue</u>		<u>Change from FY 1997-98</u>
2. <i>Small Class Size Program</i>	FTEs	0.0
This new initiative for FY 1998-99 is targeted at districts with at least one school building where at least 50% of the pupils enrolled are eligible for the national "free-lunch" program. Funding of \$19.8 million (Gross) is to be used for reducing class size in grades K to 3.	Gross	\$19,750,000
	GF/GP	\$0
3. <i>Durant v. State of Michigan Non-Plaintiffs' Cash Award</i>	FTEs	0.0
The legislature authorizes the first of ten annual cash payments to eligible non-plaintiff districts and intermediate districts as part of the <i>Durant</i> court case settlement. The funds can be used for textbooks, technology, infrastructure, school buses, school security, or to pay debt service on previously-issued, voter-approved bonds. Intermediate districts can also use the funds for non-recurring instructional expenditures.	Gross	\$32,000,000
	GF/GP	\$0
4. <i>Durant v. State of Michigan Non-Plaintiffs' Cash Award</i>	FTEs	0.0
This is a one-time cash payment to eligible non-plaintiff districts and intermediate districts whose award is less than \$75,000. The funds can be used for textbooks, technology, infrastructure, school buses, school security, or to pay debt service on previously-issued, voter-approved bonds. Intermediate districts can also use the funds for non-recurring instructional expenditures.	Gross	\$1,700,000
	GF/GP	\$0
5. <i>Durant v. State of Michigan Non-Plaintiffs' Debt Service Payment</i>	FTEs	0.0
This is the first of 15 annual debt service payments to eligible non-plaintiff districts and intermediate districts. A district may issue bonds through the Michigan Municipal Bond Authority for one-half of its total award amount. The appropriation pays the debt service of those bonds. Bond proceeds can be used for any purpose described in Section 1351a of the Revised School Code.	Gross	\$40,000,000
	GF/GP	\$0
A district may choose not to issue bonds and may instead receive an annual cash payment for 15 years equal to 1/30th of the award amount. This payment can only be used on the following, listed in order of priority: to pay debt service on previously-issued, voter-approved bonds, to pay debt service on other limited tax obligations, or for deposit into a sinking fund.		

MAJOR BUDGET CHANGES: FY 1998-99

<u>Budget Issue</u>		<u>Change from FY 1997-98</u>
6. Career Preparation System Grants	FTEs	0.0
The Legislature approved a program for FY 1997-98 at a level of \$1.3 million for planning career preparation programs. For FY 1998-99, \$23.9 million (GF/GP) is allocated to implement the programs and \$350,000 to continue technical assistance and planning.	Gross	\$23,850,000
	GF/GP	\$23,850,000
 7. At-Risk Program	 FTEs	 0.0
The Section 31a funding for the At-Risk program is increased by \$10.0 million (Gross) to \$260.0 million. Allocations for this program are determined by the number of students eligible for the national "free-lunch" program multiplied by 11.5% of the district's foundation allowance. To receive funds, the district's combined local and state revenue per pupil must be lower than \$6,962.	Gross	\$10,000,000
	GF/GP	\$0

ECONOMIC AND RETIREMENT ISSUES: FY 1998-99

ECONOMIC ISSUES

None

RETIREMENT ISSUES

None

MAJOR BOILERPLATE CHANGES: FY 1998-99
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1. "Durant" Case [Special Education] Allocations

Special education funding was restructured to meet the requirements of *Durant v. State of Michigan*. The Michigan Supreme Court decision affirmed the court of appeals decision that the state should pay 28.6138% of the total necessary cost of educating a special education pupil and 70.4164% of the cost for special education transportation. The intent of the Legislature was to meet those percentages prospectively.

Because of this directive, the funding mechanisms were shifted significantly to fulfill the Durant requirement. The Legislature restructured special education funding allocations by transferring Foundation Allowance allocations for special education pupils to Section 51a (Special Education) and also further increasing the allocation.

MAJOR BOILERPLATE CHANGES: FY 1998-99

2. *Change in State Aid Payment Schedule*

The state aid payments were expanded to a ten-month payment schedule effective December 1997, and 11 monthly payments in FY 1998-99. The additional payments are to be accrued back to the prior school fiscal year ending on June 30.

3. *Retirement Contribution Rate*

As part of pension reform, the rate for local district and intermediate district contributions to the Public School Employee Retirement System for FY 1998-99 is the same as the current year of 11.12% of payroll.

VETOES: FY 1998-99

None

REVENUE INCREASES: FY 1998-99

None

SUPPLEMENTAL APPROPRIATIONS: FY 1997-98

None